

## ***When and How to Use Independent Sales Representatives***

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Today's high cost of direct sales efforts, shifting customer buying patterns using the Internet, and growing product offerings due to company mergers ....are reasons why many companies are reassessing their old attitudes about their sales organization. If you have not made this assessment recently, then your original assumptions about your present sales force may be obsolete.

No small to medium-size business can afford to ignore changing events happening in the marketplace today or overlook the potential for gaining a sales edge. Large corporations also must adjust to what is happening in their market space, but they have much deeper pockets, a larger selling staff or more time to "*not get it right* the first time" than the small business owner. Since the time you built your original company team and hired a few sales reps to cover distant selling territories, the pros and cons that went into your original sales coverage assumptions may have unknowingly shifted.

With the advent of the cell phone, laptop computer, and CRM solutions, we have in many ways become more efficient in our selling processes. Today sales and marketing personnel prepare their own customer PowerPoint presentations and are emailing their customers' volumes of promotional material. On the down side, your direct sales personnel are also spending a lot of time customizing product presentations, updating their sales contact database, preparing costing proposals and often booking their own travel. Your sales team spends most of their time on everything except direct selling and face-to-face meetings with their potential or existing customers. It is estimated your direct sales force is spending no more than 25% of their available time actually talking to or meeting with customers each day. Note: this is a best-case number and in some cases may actually be around the 10-15% level.

Here is a summarization of common complaints from several of our clients that were shared with us during initial consultations and surveys we conducted in 2010 about their direct sales force efficiencies:

- My sales team is spending too much time in the office or factory involved with internal meetings and dealing with issues that could be handled by our support staff.
- My sales team fails to effectively and consistently prospect for new business because they are spending excessive amounts of time and effort working deals already in the pipeline.
- My sales team fails to pursue each and every strategic deal in their sales funnel because they are focused on winning the short-term deal to make their monthly numbers.
- My sales team fails to work closely with our marketing group to penetrate high-priority accounts that are the backbone of our strategic plan and our future.
- My sales team is being compensated for selling Product X when we need them to be out there selling Product Y.

Sound familiar? Few situations as those just mentioned are so black or white that you have to make an all or nothing decision to correct the problem. One should always carefully weigh the factors involved that will lead to sound decisions when making any changes, additions or deletions to a sales team. Sometimes a business owner or key executive in a company is reluctant to make major changes in the direct sales force for fear of upsetting, de-motivating or losing the top producing sales superstar, who may be actually holding the company hostage.

You should routinely identify your top sales producers and manage them well. Don't let your sales star manage you...because if you do, the top sales performers may actually be holding your company back from higher sales growth and market expansion. Often sales rainmakers want to move at their own pace, not yours.

One way to transform your organization in a systematic manner is to install a group of motivated and exceptional independent sales representatives to supplement your existing direct sales force. The new independent sales reps can work in conjunction with your existing internal sales team until you have time to sort out the best blend of staffing for your company. If you already have independent sales representatives working for your company, it may be time to eliminate the non-producers and replace their rep agency with better ones. Clean out the deadwood. A word of caution: if you use the same criteria to select, hire and motivate your replacement sales reps as you used when you hired the original rep firms, then you are doomed for failure again.

At Tacit Solutions we assist companies in developing a winning process to interview, select, hire, train and motivate new sales personnel. Whether you use a company such as ours, or just do it yourself, you must be willing to change your approach to transform the sales rep hiring process. When Tacit Solutions is working with a start-up technology company or if we are helping turn around a troubled retail establishment, the common theme for our clients seems to be related to a lack of sales. If you don't have enough "feet on the street", are not using the latest marketing techniques such as social media or if you are only depending on a small core group of regional customers, your sales tend to stagnate, decrease or hover around last year's revenue numbers. To grow your business, you must expand your selling efforts with people assets and sales or marketing processes that are in-step with the way your customer wants to buy today.

### **A Few Things to Know About Rep Firms**

A sales rep may be one person covering a large metropolitan area or a rep firm that covers several states and employs 15 or more individuals. Keep in mind that that about 30% of the rep firms available to you to hire are probably going to be a "one-man show". Depending on the rep firm, location and products or services sold, a large rep firm could be carrying up to 20 different companies on their line card. The average number of product lines or companies represented by most rep firms will actually be in the 6-8 range, depending on the number of years they have been in business. No matter how many company lines the potential rep firm may list on their line card, when you approach them about representation, look for firms that have synergy with your product line. The next step is to determine where your potential product ranking will be on their "totem pole" of product lines once you join forces with them.

Sales representative commission fee structures vary and are always negotiable. If you have zero business in a territory, you will have to most likely pay some type of marketing offset fee (expect that number to be \$1000-\$4000 per month) for the new rep firm to market and pioneer your product line for 6-18 months. The smaller or potentially non-performing rep agencies may indicate that they do not need a marketing fee to promote your products in virgin territory, but they may also never effectively promote your products either. They may simply want your company logo on their line card to improve their standing with customers they already have or impress potential principals, so beware.

As the principal, expect to see your finance department send out monthly rep commission checks ranging from 5% to 12% of territory shipments or product sales. Specific industries can sometimes command a higher percentage for sales commissions when offering products such as expensive capital equipment, which has a longer sales cycle than smaller ticket items.

Today, over 40% of all companies use independent sales reps in some form and smaller product producing or service companies may hit closer to 75%. Keep in mind that sales reps have a lot of experience in dealing with companies who are "looking for reps". The high quality rep firms will most likely do as much due diligence on your company as you do on theirs during the hiring courtship phase. Understand, many of those same rep firms may have been burned in the past with company's wanting to hire sales reps quickly to satisfy a short-term need or because of some edict from the principal's top management. Just because you want to hire a particular rep firm based on your need structure does not mean they will want to accept your line initially. You may have some selling to do yourself to win them over, especially if you are a small "me too" company with no real business or technology edge.

And a final note. Independent sales reps are not your employees so don't think you can manage them like one or expect them to behave as an employee. You should be able to get required forecasts you need from reps on a routine basis and a summary of on-going call activity by treating them as a partner. You must not initially put so many demands on them for needless call reports or strict formatting of data that they see your account as a burden. In the first year, try to use the rep firm's existing call activity reporting system if that will work for you and if it gets you the required information you actually need. Treat them as you would like to be treated if you were in their shoes. This will go a long way in nurturing a positive business relationship with your sales reps.

### **When to Use Sales Reps**

The smaller your company, the more likely that you will use independent rep firms to sell your products and services. Here are several examples when it makes sense to employ a sales rep network to support your internal sales efforts:

- Company sales are under \$5M per year
- Have a need to open new territories and have no leverage or relationships with potential customers located in the region the candidate rep firm covers
- Your company needs to decrease the cost of direct sales and rising travel costs
- You need faster and better account coverage locally in regions or territories than you could offer from your existing location
- Need deeper penetration or must build stronger bonds with existing accounts before the competition takes hold by having more "face time" with the customer
- When you need better customer attention than your company can supply alone
- A need for more cost-effective marketing to the right companies at the right time
- If you need specific contacts and established relationships (that you do not have) to sell to federal agencies, medical centers, aerospace accounts, etc.

Maintaining the *status quo* can be risky for your business, and in today's ever-changing economy it is not realistic. Without a high-energy sales team to develop new relationships and bring in opportunities, few companies can survive, let alone grow into today's marketplace.

## How to Use Sales Reps

Make sure that before deciding to hire any rep firm to support your sales efforts, that you have the correct internal company culture and business processes to handle managing the outside rep organization. Before you start your rep firm search, you may need to stop and think it through a bit more to decide if you have the necessary skill sets to accomplish this task. If you have been asked by management in your company *"to go out there and find us some reps"* or your current company perception is that *"reps are free until they sell something"*, you are starting off in a bad place. This type of company attitude will not only make your job more difficult in finding quality sales reps, it will surely lessen your chance of success with any rep firms you may actually hire.

Many of the companies that Tacit Solutions has engaged with often have 3-4 reps firms in place that they hired years ago. Each time we ask them *"how are your reps doing for you?"* we initially get a momentary blank stare. A common answer we receive is *"one of our rep firms is actually doing okay but the rest are not doing very well for us. I am not sure if we actually hired the right reps or if they understand our products"*. With a few more probing questions, we often conclude that our clients actually had no idea how to select, motivate, properly train or effectively manage the rep firms they were already using.

The life expectancy of a successful company principal and rep firm relationship should last for years, yet many last only a few months for a variety of reasons we have already identified but there are many, many more. Some companies would rather die than to change the way they manage their sales force...and most do!

Areas where Tacit Solutions can add value to your sale rep network solutions are:

- We can help you identify the proper sales reps for your product or service
- Provide initial research and pre-screen candidate rep firms or individuals for you
- Guide you in the design of interview questions to quickly eliminate weak players
- Improve your chance of selecting the right sales rep the first time
- Provide guidance during the entire sales rep selection process as needed
- Facilitate and conduct annual sales seminars for your US-based reps
- Develop complete sales rep training manuals and video demonstrations
- Guide the principal (you) as to how to manage sales reps effectively and fairly

This paper is offered at no charge and you can obtain more information about how we can assist your organization by contacting us directly at **909-307-1111** or by visiting our website at [www.tacit-sol.com](http://www.tacit-sol.com). We can also quickly customize a unique business solution for you by creating a detailed **Roadmap for Hiring the Exceptional Sales Rep Firm Guide** geared to your specific company products or services through our normal consulting fee service arrangement.

### About Tacit Solutions, LLC

Tacit Solutions, LLC was formed by Richard Guy in 2005 after holding various high level sales and marketing management positions at Amkor Technology, AT&T Bell Laboratories, Integra Technologies, Lucent Technologies, NCR Corporation, Philips Corporation, and QP Semiconductor. The company provides a variety of consulting and sales representation support functions to the electronics industry, retail establishments and a wide variety of industrial component makers throughout the United States.